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## An Analysis of the Dilution Section of the Restatement (Third) of Unfair Competition

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## **AN ANALYSIS OF THE DILUTION SECTION OF THE RESTATEMENT (THIRD) OF UNFAIR COMPETITION**

*Miles J. Alexander and Michael K. Heilbronner\**

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## I. INTRODUCTION

In recognition of the development of unfair competition as an independent body of law,<sup>1</sup> the American Law Institute in 1995 published the *Restatement (Third) of Unfair Competition* (Restatement),<sup>2</sup> the Institute's first independent work on the subject. This work examines common law principles, statutory provisions, and judicial rulings that constitute the law of unfair competition. Section 25 of the Restatement analyzes the doctrine of trademark dilution, and is entitled "Liability Without Proof of Confusion: Dilution and Tarnishment."<sup>3</sup>

As highlighted in the title of section 25, the dilution doctrine reaches beyond the traditional question of "likelihood of confusion" and provides a remedy for the unauthorized use of a mark that either tarnishes or diminishes its distinctiveness. The Restatement identifies the underlying rationale for both prongs of trademark dilution:

Tarnishment and dilution of distinctiveness, although conceptually distinct, both undermine the selling power of a mark, the latter by disturbing the conditioned association of the mark with the prior user and the former by displacing positive with negative associations. Thus, tarnishment and dilution of distinctiveness reduce the value of the mark to the trademark owner.<sup>4</sup>

Relief for trademark infringement remedies public confusion, while relief for dilution is based on injury to the trademark and the trademark owner, and on the unjust enrichment of one who trades upon the commercial magnetism of another's mark. In contrast to trademark infringement, dilution is premised on a theory of trespass rather than fraud or deceit.<sup>5</sup> The doctrine protects the commercial value or "selling power" of a mark by prohibiting uses that dilute the distinctiveness of the mark or tarnish the associations evoked by the mark.<sup>6</sup>

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1. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION (transcript of proceedings discussing Tentative Draft No. 1, at 460) (1989).

2. RESTATEMENT (THIRD) OF UNFAIR COMPETITION (1993) [hereinafter RESTATEMENT].

3. Hereinafter referred to as "section 25." Section 25 follows the traditional Restatement pattern, beginning with a black letter statement of the law as the Reporters believe it is, or as it should be interpreted. Comments, interpretive illustrations, and a Reporters' note follow, citing and discussing cases relating to dilution generally and to matters raised by section 25.

4. RESTATEMENT, *supra* note 2, § 25 cmt. c.

5. See Milton W. Handler, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 274-75 (1985) (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927)).

6. See RESTATEMENT, *supra* note 2, § 25 cmt. a.

In *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*<sup>7</sup> Justice Frankfurter eloquently described the threat to commercial magnetism targeted by dilution statutes, stating:

The protection of trade-marks is the law's recognition of the psychological function of symbols. . . . A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. *If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.*<sup>8</sup>

Despite judicial recognition of the property-like qualities of trademarks, numerous courts and commentators have cautioned against unrestricted application of the dilution doctrine. These authorities conclude that certain uses of trademarks by those who do not own the marks are protected by the First Amendment<sup>9</sup> and by “fair competition” doctrines such as comparative advertising.<sup>10</sup> In the context of this historical conflict, section 25 of the

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7. 316 U.S. 203 (1942).

8. *Id.* at 205; *see also* *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (emphasis added) (discussing the emerging sentiment that a merchant may have a sufficient economic interest in the use of his mark to warrant protection without a likelihood of consumer confusion). Modern courts also recognize the degree to which “commercial magnetism” represents a property value entitled to protection from “poachers.” *See, e.g.* *Augusta Nat'l, Inc. v. Northwestern Mut. Life Ins. Co.*, 193 U.S.P.Q. (BNA) 210, 221 (S.D. Ga. 1976) (“[U]se of the name [Masters] will enable the defendant to get a free ride upon the good will and reputation built up by the plaintiff, and to that extent the value of plaintiff's property right in its trade-mark [will be] diluted and rendered less valuable.”) (quoting *Esquire, Inc. v. Maira*, 101 F. Supp. 398, 402 (M.D. Pa. 1951)); *Adirondack Appliance Repair, Inc. v. Adirondack Appliance Parts, Inc.*, 538 N.Y.S.2d 118, 120 (N.Y. App. Div. 1989) (finding that the defendant's use of the name diluted the goodwill and reputation enjoyed by plaintiff).

9. *See, e.g.*, *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1490 n.7 (10th Cir. 1987) (noting that First Amendment protection has been extended to some noncommercial parodies of trademarks); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30-31 (1st Cir. 1987) (raising First Amendment concerns about the application of state anti-dilution statutes to noncommercial uses of a trademark), *cert. denied*, 483 U.S. 1013 (1987); *Girl Scouts of the United States v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228, 1234 (S.D.N.Y. 1969) (denying relief for defamation without a showing of special circumstances); Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of the Trade Symbols*, 1982 Wis. L. REV. 158 (1982); Robert J. Shaughnessy, Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 VA. L. REV. 1079 (1986).

10. *See Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994) (“As long as the

Restatement was first published in the Second Tentative Draft of the Restatement.<sup>11</sup>

Section 25 of the Tentative Draft engendered little comment or criticism for more than three years. However, at the 1993 Annual Meeting of the International Trademark Association, the Tentative Draft was the subject of criticism based on two controversial issues: technical trademark use and the scope of a trademark parodist's free speech rights.<sup>12</sup>

Regarding technical trademark use, the Tentative Draft was criticized for providing that liability for dilution arises only when an actor uses another's mark "as a designation to identify [the actor's] own goods. . . ."<sup>13</sup> Critics argued that this provision made an artificial and unsupported distinction between so-called "trademark use" and "non-trademark use."<sup>14</sup> In an apparent response to these concerns, the Reporters eliminated the technical trademark use requirement in the final version of section 25 by conditioning liability on use of a designation "in a manner that is likely to *associate* the other's mark with the goods, services, or business of the actor."<sup>15</sup> The change to an "association" standard rather than a trademark use requirement suggests that the Reporters intended to liberalize the test for dilution under section 25. However, the Reporters did not make corresponding revisions to the comments to section 25, which can still be read to support the trademark use requirement espoused in the Tentative Draft.<sup>16</sup> Thus, read together, the

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mark is not altered [in a comparative advertisement], such use serves the beneficial purpose of imparting factual information about the relative merits of competing products and poses no risk of diluting the selling power of the competitor's mark.").

11. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION (Tentative Draft No. 2, 1990), [hereinafter Tentative Draft].

12. See Letter from Richard M. Berman, Past President of International Trademark Association, to Professor Geoffrey C. Hazard, Jr., Executive Director, American Law Institute, Yale Law School (September 3, 1993) (on file at the offices of Kilpatrick & Cody, Atlanta, Georgia) (noting INTA's "significant concern" about section 25 of the Tentative Draft); see also Jerre B. Swann & Theodore H. Davis, Jr., *Dilution, An Idea Whose Time Has Gone; Brand Equity as Protectible Property, the New/Old Paradigm*, 1 J. INTELL. PROP. L. 219, 243-46 (1994), reprinted in 84 TRADEMARK REP. 267 (1994) (criticizing portions of the dilution section of the Tentative Draft).

13. Tentative Draft, *supra* note 11, § 25(1).

14. Section 25(1) of the Tentative Draft provides: "An actor is subject to liability under such a statute if, *as a designation to identify its own goods, services or business*, the actor . . . [engages in conduct that dilutes another's mark]." Tentative Draft, *supra* note 11, § 25(1) (emphasis added). See also Swann & Davis, *supra* note 12, at 243.

15. RESTATEMENT, *supra* note 2, § 25(1) (emphasis added).

16. See *infra* note 63 and corresponding text. In fairness to the Reporters, the questions raised by critics were apparently not voiced by any organized group until the Institute had all but adopted in final form the Tentative Draft version of section 25. The authority of the Reporters to make extensive substantive changes, as opposed to editorial changes, at that late stage was limited without reconsideration by the Institute.

text and comments to the final version of section 25 leave open the argument that the Restatement views technical trademark use as a determinative factor in the dilution inquiry. Without additional legislation or judicial guidance, the trademark use requirement remains relevant under the final version of section 25(1).<sup>17</sup>

The second subject of criticism arose from the fact that section 25(2) of the Tentative Draft appears to afford sweeping First Amendment protection to an actor who uses another's mark to "comment on, criticize, ridicule, parody, or disparage the other or the other's goods . . . [unless] the actor's conduct meets the requirements of a cause of action for defamation, or invasion of privacy, or injurious falsehood."<sup>18</sup> This aspect of the Tentative Draft was criticized for attempting to create an irrebuttable presumption that the First Amendment protects *all* diluting or tarnishing uses of another's mark that convey an editorial, parodic or critical message. Section 25(2) of the Tentative Draft implies that, if the mark is used as a parody, then by definition it cannot satisfy the trademark use requirement.<sup>19</sup> Critics alleged that section 25(2) of the Tentative Draft ignores the role of brand equity as an intangible asset of the trademark owner, and argued that, properly viewed as property rights in intangible assets, trademark rights should be balanced against or be on par with First Amendment rights.<sup>20</sup> In contrast to their response to criticism of the trademark use requirement, the Reporters did not accede to these criticisms of the First Amendment protection provided by section 25(2) of the Tentative Draft. The broad protection afforded diluting or tarnishing trademark parodies remains intact in the final version of section 25(2), leaving trademark owners with substantial concern about the adequacy and fairness of the test. As with

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17. Although the authors question certain language in section 25 of the Restatement, to do so without acknowledging the well-balanced brilliance of the Restatement as a whole would be a disservice to our profession. As a whole, the Restatement is a concise and understandable statement of principles governing the law of unfair competition.

18. Tentative Draft, *supra* note 11, § 25(2).

19. The pertinent portion of section 25(2) states:

One who uses a designation that resembles the trademark . . . of another, *not in a manner* that is likely to associate the other's mark with the goods . . . of the actor, *but rather* to comment on, criticize, ridicule, parody, or disparage the other or the other's goods . . . is subject to liability without proof of a likelihood of confusion only if . . . .

RESTATEMENT, *supra* note 2, § 25(2) (emphasis added).

20. Swann & Davis, *supra* note 12, at 222. "[T]he positive associations that comprise a brand—a brand's equity—can rise to the level of a property right entitled to protection separately irrespective of confusion . . . ." *Id.* at 220. Swann and Davis argue that the dilution doctrine inadequately protects the property-like qualities of trademarks. *Cf.* Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 206 (2d Cir. 1979) ("Plaintiff's trademark is in the nature of a property right, and as such it need not 'yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist.'") (citations omitted) (quoting Lloyd Corp. v. Tanner, 407 U.S. 551, 567 (1972)).

section 25(1) of the Tentative Draft, the Reporters changed the trademark use requirement of section 25(2) to the "association" standard but did not make corresponding changes to the comments, which still suggest a narrow trademark use requirement.<sup>21</sup>

The critical response to section 25 of the Tentative Draft raised fundamental questions about several issues, including: (1) the capacity of nontrademark uses to dilute or tarnish; and (2) the permissible scope of dilution statutes, even in the case of trademark usage, in light of the First Amendment rights of a parodist. This article examines these issues as they arise from both the Tentative Draft and the final version of the Restatement. Section II outlines the substance of the dilution doctrine. Section III examines section 25(1) of the Restatement, focusing on the meaning of the "association" standard, and the tension between the "association" standard and the comments, which suggest that trademark use may be an element of a dilution claim. Finally, section IV discusses whether section 25(2) adequately balances the various interests at stake in a trademark parody case.

## II. THE TWO PRONGS OF THE DILUTION DOCTRINE

As with other doctrines of unfair competition, trademark dilution has evolved significantly during the latter portion of the twentieth century. Although courts reluctantly applied early dilution statutes,<sup>22</sup> many commentators regard the decision in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*<sup>23</sup> as marking the beginning of a period of increasing judicial acceptance of the doctrine. Twenty-seven states have adopted dilution statutes<sup>24</sup> largely modeled after section 12 of the Model State Trademark Bill.<sup>25</sup> Other jurisdictions appear to have adopted the doctrine by judicial

21. RESTATEMENT, *supra* note 2, § 25 cmt. i.

22. For commentary tracing the acceptance of the dilution doctrine from its antecedents in early German and English cases and the classic Schechter work, to the current era of broad acceptance, see Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 831-33 (1927); Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 1109-11 (1993)).

23. 369 N.E.2d 1162 (N.Y. 1977).

24. See Julie Arthur Garcia, *Trademark Dilution: Eliminating Confusion*, 85 TRADEMARK REP. 489, 493-94 n.26 (1995).

25. As originally drafted, section 12 of the Model Bill stated:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

MODEL ST. TRADEMARK BILL § 12 (U.S. Trademark Ass'n 1949), *reprinted in*, INTERNATIONAL TRADEMARK ASS'N, STATE TRADEMARK & UNFAIR COMPETITION LAW, App. 1-20 (Supp. 1996). In 1992, the dilution section of the Model Bill was amended and recodified as section 13. See

decree.<sup>26</sup> Additionally, President Clinton recently signed the first federal dilution statute,<sup>27</sup> which promises to add a new layer of issues to those raised by the state statutes and the Restatement.<sup>28</sup>

The dilution doctrine protects against two types of harm. First, the doctrine prevents use of a mark that causes the "blurring" or "whittling away" of the distinctive quality of the mark.<sup>29</sup> This facet of the dilution doctrine protects the ability of certain marks to "evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner."<sup>30</sup> Liability is triggered when a junior user utilizes a mark in a manner that causes a mental connection between the junior user's mark and the senior user's mark, and, as a result of the connection, "the ability of the senior user's mark to serve as a unique identifier of the [senior user's] goods or services is weakened because the relevant public now also associates that designation with a new and different source."<sup>31</sup> Instead of evoking an immediate response from purchasers, the senior mark is left to

MODEL ST. TRADEMARK BILL (as amended) § 13 (U.S. Trademark Ass'n 1992), *reprinted in*, INTERNATIONAL TRADEMARK ASS'N, STATE TRADEMARK & UNFAIR COMPETITION LAW, at App. 1-11. Section 13 is substantially similar to the new federal dilution statute, and the Connecticut, South Carolina and Washington dilution statutes are modeled after section 13 of the Model Bill.

26. *See Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) ("Dilution claims . . . are cognizable under Ohio's common law."); *Prince Mfg., Inc. v. Bard Int'l Assocs.*, 11 U.S.P.Q.2d (BNA) 1419, 1421 (D.N.J. 1988) (applying New Jersey common law); *Hartford House Ltd. v. Hallmark Cards Inc.*, 647 F. Supp. 1533, 1541-42 (D. Colo. 1986) (applying Colorado common law), *aff'd*, 846 F.2d 1268 (10th Cir. 1988), *cert. denied*, 488 U.S. 908 (1988); *Adolph Coors Co. v. A. Genderson & Sons*, 486 F. Supp. 131, 134 (D. Colo. 1980) (applying Colorado common law); *Caesars World, Inc. v. Caesar's Palace*, 490 F. Supp. 818, 828-29 (D.N.J. 1980) (applying New Jersey common law and granting relief on grounds similar to dilution); *Kimberly Knitwear, Inc. v. Kimberley Stores, Inc.*, 331 F. Supp. 1339, 1341-42 (W.D. Mich. 1971) (applying Michigan common law). *But see Aero-Motive Co. v. U.S. Aeromotive, Inc.*, 922 F. Supp. 29 (1996) ("Michigan . . . has no common law cause of action for trademark dilution."); *Anheuser-Busch, Inc. v. Florists Ass'n of Greater Cleveland*, 603 F. Supp. 35, 39 (N.D. Ohio 1984) (stating that dilution is a creature of statute and declining to apply the doctrine as part of the Ohio common law). INTERNATIONAL TRADEMARK ASS'N, STATE TRADEMARK & UNFAIR COMPETITION LAW, *supra* note 25, provides a state-by-state review of dilution statutes and case law.

27. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (creating section 43(c) of the Lanham Act, 15 U.S.C.A. § 1127 (West Supp. 1996)).

28. For a discussion of the federal dilution statute, see Miles J. Alexander & Michael K. Heilbronner, *Dilution Under Section 43(c) of the Lanham Act*, \_\_ LAW & CONTEMP. PROBS. \_\_, (forthcoming 1996); Sandra Edelman & Bruce R. Ewing, *The Federal Trademark Dilution Act of 1995: A Litigation Perspective*, \_\_ TRADEMARK REP. \_\_ (forthcoming 1996).

29. *See Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989)).

30. RESTATEMENT, *supra* note 2, § 25 cmt. c.

31. 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 24.13[1][b], at 24-108 (3d ed. 1992).



compete with similar marks. Over time, as other uses crowd the market for mental associations, the senior mark becomes ordinary.

The second harm targeted by the dilution doctrine is tarnishment, which is regarded by some commentators as merely another means of blurring the distinctive, positive image of a mark, and, therefore, not a separate prong.<sup>32</sup> Tarnishment occurs when an actor uses a mark similar to the senior user's in a way that creates an undesirable, unwholesome, or unsavory association with the senior user's mark.<sup>33</sup> Decisions in which plaintiffs have been successful in asserting a cause of action sustainable only under a dilution statute, and not on a likelihood of confusion theory, often are based on the tarnishment prong of dilution.<sup>34</sup> The injury to the trademark owner occurs because the appearance of the mark in a distasteful setting results in a distortion of the positive association connected to a brand. As noted in comment i to section 25: "The positive images associated with a particular designation can be tarnished by either a trademark or a nontrademark use by the actor."<sup>35</sup>

### III. SECTION 25(1) OF THE RESTATEMENT: LIBERALIZATION OF THE REQUIREMENT FOR TECHNICAL TRADEMARK USE

As originally conceived by Frank Schechter, dilution required use of a well-known mark as a trademark or service mark on noncompetitive goods or services.<sup>36</sup> Schechter's examples of dilution involved trademark use,<sup>37</sup> and the majority of published dilution cases involve use of a mark in a "trademark sense" to identify a source for goods or services, or at least to "associate" the mark with the goods or services of the subsequent user.<sup>38</sup> It is unclear whether the empirical disparity between dilution cases involving trademark use versus nontrademark use is the result of doctrinal concern over the far reaching scope of dilution statutes. No dilution statute conditions liability on trademark use, and several expressly provide protection for names, marks or *forms of advertisement*,<sup>39</sup> a category that encompasses a variety of nontrade-

32. *Id.* § 24.14[2], at 24-124, -125.

33. *See Deere & Co.*, 41 F.3d at 43.

34. *See, e.g., American Express Co. v. Vibra Approved Lab. Corp.*, 10 U.S.P.Q.2d (BNA) 2006, 2012-13 (S.D.N.Y. 1989); *Pillsbury Co. v. Milky Way Prods. Inc.*, 215 U.S.P.Q. 124 (BNA), 133-35 (N.D. Ga. 1981).

35. RESTATEMENT, *supra* note 2, § 25 cmt. i.

36. *See Schechter, supra* note 22, at 825.

37. *Id.* at 826-30.

38. *See Deere & Co.*, 41 F.3d at 43 ("The [d]istrict [c]ourt noted that 'the instant case [wa]s one of *first impression*' because it involved a defendant's use of a competitor's trademark to refer to the competitor's products rather than to identify the defendant's products.") (emphasis added).

39. *See, e.g., FLA. STAT. ANN.* § 495.151 (West 1988) (emphasis added); *GA. CODE ANN.* § 10-1-451(b) (1994); *ILL. ANN. STAT.* ch. 765, ¶ 1035/15 (Smith-Hurd 1993).

mark uses. Likewise, no consistent line of cases appears to have expressly read a technical trademark use requirement into a dilution statute.<sup>40</sup>

An alternative explanation for the historical disparity between dilution cases involving trademark use compared to those involving nontrademark use is the fact that trademark use occurs more often than nontrademark use,<sup>41</sup> and, as a result, infringing and diluting uses of another's mark are more likely to occur in the context of a trademark use.

#### *A. The Trademark Use Requirement*

Despite alternative possibilities and the plain language of the dilution statutes, the Reporters to the Restatement initially determined that "trademark use" was a prerequisite for dilution, whether by whittling away or tarnishment, stating that dilution could arise only when an actor used a mark "to identify its own goods, services, or business. . . ."<sup>42</sup> The comments to the Tentative Draft state the rationale behind the trademark use requirement:

The rule stated in this Section distinguishes between those cases in which the actor uses another's designation to identify . . . itself or its own goods or services, and those cases in which the actor uses the other's designation in some other manner. The protection accorded by the law of trademarks is limited to the exploitation of a designation as an identifying symbol. Although the antidilution statutes extend protection to certain nonconfusing uses, they remain part of the general law of trademarks and *should be applicable only to disputes involving the concurrent use of similar designations to identify goods, services or businesses.*<sup>43</sup>

Regarding other uses, the comments continue:

*Nontrademark uses, which do not involve a use to identify another's goods, services, or business . . . are unlikely to have this diluting effect.* In most instances such uses are intended to refer back to the original trademark owner and serve to confirm rather than undermine the associational significance of the mark.<sup>44</sup>

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40. *But see* Munters Corp. v. Matsui Am., Inc., 730 F. Supp. 790, 802 (N.D. Ill. 1989), *aff'd*, 909 F.2d 250 (7th Cir.), *cert. denied*, 498 U.S. 1016 (1990) ("The purpose of [the Illinois dilution statute] is presumably not to stifle the non-trademark use of descriptive words.").

41. *See Deere & Co.*, 41 F.3d at 43.

42. Tentative Draft, *supra* note 11, § 25(1).

43. *Id.* § 25 cmt. c (emphasis added).

44. *Id.* § 25 cmt. i (emphasis added).

Thus, the trademark use requirement in the Tentative Draft, which is reflected in the comments to the final version of the Restatement,<sup>45</sup> is based on the following propositions: (1) the law of trademarks is limited to cases involving technical trademark use; (2) regardless of their language, dilution statutes remain part of the general law of trademarks; and (3) nontrademark use is unlikely to result in dilution. Without a line of supporting authority to justify these propositions,<sup>46</sup> the sweeping requirement of trademark use rests on questionable underpinnings. As an initial matter, the law of unfair competition through the use of trademarks goes beyond cases involving trademark use,<sup>47</sup> and courts have found dilution or tarnishment in a variety of cases not involving use of a senior user's mark as a trademark for a junior user's products or services.<sup>48</sup> Additionally, although dilution statutes are "part" of the law of trademarks and unfair competition, they significantly expand the scope of traditional trademark law, under which infringement depends on proof of a likelihood of confusion. The language of every dilution statute provides for liability notwithstanding the absence of likely confusion.<sup>49</sup> Recognizing that "the dilution doctrine is not embraced by the Lanham Trademark Act of 1946,"<sup>50</sup> courts have taken up the broadening effect of the dilution statutes to find dilution absent a likelihood of confusion.<sup>51</sup> Thus, the

45. See, e.g., RESTATEMENT, *supra* note 2, § 25 cmt. i.

46. The Comments to the Tentative Draft do not provide any legal support that compels acceptance of these propositions.

47. For example, section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), and state dilution statutes do not require technical trademark use.

48. See, e.g., *Deere & Co.*, 41 F.3d at 43, 45 (stating that the plaintiff's mark was used "to refer to the competitor's products rather than to identify the defendant's products"); *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 777 (8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995) (mock advertisement on back cover of humor magazine for "Michelob Oily" products); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 202 (2d Cir. 1979) (use of Dallas Cowboys cheerleaders trade dress); *DC Comics, Inc. v. Unlimited Monkey Business, Inc.*, 598 F. Supp. 110, 118-19 (N.D. Ga. 1984) (use of "Super Stud" and "Wonder Wench" by Monkey Business singing telegram business dilutes SUPERMAN and WONDER WOMAN marks); *Pillsbury Co.*, 215 U.S.P.Q. at 134 n.12 (figures in publication resembling, but not likely to be confused with, Pillsbury's "Poppin Fresh" and "Poppie Fresh" characters diluted plaintiffs trademarks even though the offending "advertisement" [did] not promote any product whatsoever").

49. See state dilution statutes cited in *Garcia*, *supra* note 24, at 493-94 n.26. See also Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985.

50. *Community Fed. Sav. & Loan Ass'n v. Orondorff*, 678 F.2d 1034, 1036 n.7 (11th Cir. 1982) (citations omitted).

51. See, e.g., *Deere & Co.*, 41 F.3d at 44; *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480 (7th Cir. 1988) (affirming injunction granted only under blurring prong); *Community Fed. Sav. & Loan Ass'n v. Orondorff*, 678 F.2d 1034, 1037 (11th Cir. 1982) (reversing denial of injunction under blurring prong); *American Express Co.*, 10 U.S.P.Q.2d at 2012-13; *Pillsbury Co.*, 215 U.S.P.Q. at 135; *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 333 (N.D. Ill. 1981) (finding

intent and effect of dilution statutes is to expand the law of unfair competition and supplement the common law and traditional federal and state statutory schemes,<sup>52</sup> a change not merely of degree, but of kind.

Finally, the proposition that dilution is unlikely to result from nontrademark use arguably is unsound and inconsistent with the case law. Indeed, comment i to section 25 of the Restatement, entitled "Nontrademark uses," acknowledges that "[t]he distinction between the use of another's mark as a trademark for the actor's own goods or services and a nontrademark use of the mark is not always obvious . . . ."<sup>53</sup> Despite this acknowledgement, the Restatement provides less than clear guidance as to how the trademark use requirement should be applied in the dilution context. The bright-line trademark use rule does not account for the fact that dilution might arise from nontrademark uses, including use of a name, mark or form of advertisement,<sup>54</sup> to enhance the commercial value or draw attention to the second comer's products or services.<sup>55</sup>

Thus, a trademark use requirement arguably does not prohibit ornamental placement of marks such as ROLLS-ROYCE or COKE on separately branded novelty merchandise such as coffee mugs, key chains, watches, beach chairs or T-shirts, particularly if the use was in the form of a parody and/or was tarnishing. In support of this result, the Reporters state that ornamental and merchandising uses of marks "confirm rather than undermine the associational significance of the mark."<sup>56</sup> Although possibly true for some consumers, a significant possibility exists that the ornamental use also would have the opposite effect on others. Thus, a nontrademark, decorative use of the ROLLS-ROYCE "Flying Lady" design mark on a Schwinn brand bike would not be actionable, even though, for some consumers, it would result in the type of "whittling away" that antidilution statutes are intended to prevent. A trademark use requirement artificially cuts off a trademark owner's ability to offer evidence to that effect.

Moreover, no doctrinal reason mandates that ornamental or merchandising uses cannot dilute the drawing power of the appropriated distinctive mark.<sup>57</sup>

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no likelihood of confusion, but granting relief under blurring prong), *aff'd*, 694 F.2d 145 (7th Cir. 1982); *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377, 382 (Or. 1983) (affirming injunction granted under blurring prong, and also affirming findings of no likelihood of confusion and no tarnishment).

52. See 1 MCCARTHY, *supra* note 31, § 5.05[9] (noting the "liberal state policy of granting relief where there is no likelihood of confusion" under the Federal Lanham Act).

53. RESTATEMENT, *supra* note 2, § 25 cmt. i.

54. See *supra* note 37.

55. These forms of nontrademark use are commonly referred to as "ornamental" or "merchandising" uses.

56. RESTATEMENT, *supra* note 2, § 25 cmt. i.

57. Ornamental uses, like many trademark uses, often attempt to poach on the goodwill

Thus, the trademark use requirement of the Tentative Draft, and to a lesser degree the comments to the final version of section 25, seem to beg the ultimate question: whether dilution or tarnishment can occur as a result of a nontrademark use. If so, the result is illogical from the perspective of the trademark owner, because the damage that results from a trademark use may be indistinguishable from, or at least comparable to, the damage caused by a nontrademark use.<sup>58</sup>

In addition to these substantive matters, the failure to protect against merchandising uses also raises serious policy concerns for trademark owners. Making trademark use a prerequisite for liability condones the conduct of a free rider who, at the expense of the trademark owner, appropriates the equity built up in a mark without assuming any of the risk required to develop commercial drawing power of a well-known "congenial symbol."<sup>59</sup> Yet, the trademark owner's willingness to take risks and invest resources to develop goodwill in a valuable intangible asset on which the public can rely and make purchasing decisions is a core principle of trademark law not addressed by section 25(1) of the Tentative Draft.

*B. The "Association" Requirement of Section 25:  
A Response to Criticisms of the Tentative Draft*

In response to concerns over the trademark use requirement, the Reporters revised the black letter portion of section 25(1) to require an "association" between the mark used by the actor and the goods, services or business of the actor. As published in its final form, section 25(1) provides: "An actor is subject to liability under an antidilution statute if the actor uses such a designation *in a manner that is likely to associate the other's mark with the goods, services or business of the actor . . .*"<sup>60</sup> As indicated by the emphasis, the Reporters replaced the trademark use requirement of the Tentative Draft with what appears to be a more flexible and liberal "association" requirement.

Under this interpretation, the final version of section 25 of the Restatement provides a mechanism for trademark owners to offer evidence of dilution in cases involving nontrademark use. Despite its comparative advantages, however, the "association" requirement raises questions of its own. First, section 25 does not define the term "association" and offers little or no guidance for interpreting the term. As a result, in contrast to the relatively

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developed in a well-known mark. Such poaching is a wrong specifically targeted by dilution statutes. *See* *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928).

58. Swann & Davis, *supra* note 12, at 243-44.

59. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

60. RESTATEMENT, *supra* note 2, § 25(1) (emphasis added).

clear standard under the trademark use requirement, the final version of section 25(1) is open to expansive interpretation. For example, Webster's Ninth New Collegiate Dictionary defines "association" as "something linked in memory or imagination with a thing or person."<sup>61</sup> This very broad definition provides no limits on the types of "links" that might result in an "association" under section 25(1).<sup>62</sup>

Although uncertainty detracts from the effectiveness of the Restatement, a countervailing consideration suggests that the "association" requirement was not intended to be ambiguous. Because the Reporters did not revise the comments to section 25 to reflect the substitution of "association" for the previous trademark use requirement, the comments can be read to suggest that "association" connotes a broad concept of trademark use.<sup>63</sup> Although the change to the "association" standard in the black letter portion of section 25 is evidence that trademark use is not necessary, the comments make it more difficult to support this interpretation. As a result, while the revisions to the Tentative Draft alleviate some of the expressed criticisms and concerns that the Tentative Draft provides insufficient protection to trademark owners, the final version of the Restatement raises new questions about the scope of liability under dilution statutes.

#### IV. SECTION 25(2) OF THE RESTATEMENT: CONVERGENCE OF THE FIRST AMENDMENT AND PROPERTY RIGHTS IN TRADEMARKS

One of the most controversial developments in unfair competition law involves the use of trademarks as a mechanism for social commentary or "parody."<sup>64</sup> Parody and other forms of commentary and satire have existed for centuries. In more recent times, the increasing significance of trademarks as both valuable corporate assets and icons of Americana has made them effective tools for conveying editorial or humorous messages about a myriad of issues, including the trademarks themselves, the owners and uses of the marks, or society in general. As with other tools of modern speech, the use

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61. WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY 110 (9th ed. 1991); *see also* WEBSTER'S THIRD NEW INT'L DICTIONARY, UNABRIDGED 132-33 (1969) ("5a: the mental connection or bond existing between any sensations, perceptions, ideas or feelings that to a subject or observer have a relational significance with one another.").

62. Of course, broad interpretation of the definition of association might reduce the concerns of the critics of Section 25 of the Tentative Draft.

63. *See, e.g.*, RESTATEMENT, *supra* note 2, § 25 cmt. c ("The rule stated in this Section distinguishes between those cases in which the actor uses another's designation to identify the actor's own goods or services and those cases in which the actor uses the other's designation in some other manner.").

64. For purposes of this article, the term "parody" refers to all types of message or commentary uses of marks that "comment on, criticize, ridicule, parody, or disparage" under Section 25(2) of the Restatement.

of trademarks in parody implicates the speaker's First Amendment rights in ways that make bright-line rules difficult to fashion. Because the trademark parodist, or speaker, "borrows" from the commercial magnetism cultivated by another, the speaker's First Amendment rights are not absolute,<sup>65</sup> but must be balanced against competing property rights of the trademark owner. Although the analysis appears straightforward, courts have struggled to develop a consistent and coherent body of law governing trademark parody cases.<sup>66</sup>

Primarily, courts have failed to develop a reliable legal framework or "test" based on objective criteria for evaluating conflicts between First Amendment rights and the property rights of the trademark owner. Instead, judicial analysis of trademark parodies often turn on subjective judicial determinations of right and wrong. The inability to develop a viable First Amendment test for trademark parodies contrasts starkly with rules developed in other contexts of trademark jurisprudence.<sup>67</sup> Although it is often said that no trademark dispute is alike and each case must be evaluated based on the facts,<sup>68</sup> this principle may be overstated as applied to the development of legal tests for evaluating the facts in most trademark litigation. Factual differences between two cases may have determinative significance, but the likelihood of confusion standard in each circuit provides consistent road maps to their resolution.

In contrast, the absence of a reliable and consistent test in parody dilution cases might make factually similar cases unrecognizable under the analyses of different courts. Even after a decade, one commentator's observations about the inconsistent application of dilution statutes in the parody context remain accurate:

The law governing trademark parody remains a muddle in both principle and practice. Courts addressing the problem of trademark parody have not adequately reconciled the rights of the parodist with those of the trademark owner. A major source of difficulty has been a growing but incomplete judicial acceptance of more expansive trademark rights, a trend character-

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65. See, e.g., *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 776 (8th Cir. 1994) (holding that the First Amendment did not protect parodist from liability), *cert. denied*, 115 S. Ct. 903 (1995). Cf. 17 U.S.C. § 107 (1994) (fair use provision of Copyright Act).

66. See Arlen W. Langvardt, *Protected Marks and Protected Speech: Establishing the First Amendment Boundaries in Trademark Parody Cases*, 82 TRADEMARK REP. 671, 724 (1992) ("[M]ost courts deciding trademark parody cases have either ignored the possible First Amendment issues or dealt with them in an abbreviated, unprincipled fashion.").

67. See, e.g., 3 MCCARTHY, *supra* note 31, § 23.03[1], at 23-43 to 23-45 (discussing general agreement among the circuits of the factors used in assessing likelihood of confusion).

68. *Id.* § 23.11, at 23-67 to 23-68 ("Legal precedent, while controlling the questions to be asked, is not controlling as to the result of a conflict because each case must rest on the totality of its own facts as to likelihood of confusion.") (footnote omitted).

ized by movement away from the traditional "confusion" definition of infringement, which forbids only those unauthorized uses of a mark that are likely to confuse consumers as to a product's origin or sponsorship, toward a broader "dilution" test, which precludes all unauthorized uses that would lessen the mark's "distinctiveness."<sup>69</sup>

Although the current "muddled" state of affairs is not necessarily the result of an evolution from a confusion test to a dilution test, the application of dilution statutes to trademark parodies has contributed significantly to the problem. Under traditional infringement theory, the existence of a likelihood of confusion weighs heavily against the First Amendment interests of the speaker.<sup>70</sup> When the "speech" creates external costs such as confusion or deception of the public, First Amendment considerations are not dispositive.<sup>71</sup>

When applying a dilution statute to a trademark parody, however, likelihood of confusion is often not a factor. Thus, courts lose a convenient basis for decision. The property interests at stake include those of the trademark owner, who does not want to stand by while the drawing power of a very valuable property, its mark, is drained or blemished.<sup>72</sup> Balanced against this right is the valuable and important First Amendment speech interest of the trademark parodist. In many cases, another equitable consideration, unjust enrichment, weighs in favor of the trademark owner.<sup>73</sup> This factor is the unfair benefit that the parodist obtains by using the property of, and appropriating valuable goodwill of, the trademark owner. Under this scenario, the interests of the owner and the speaker often appear to be relative equals.

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69. Shaughnessy, *supra* note 9, at 1080 (footnotes omitted).

70. See *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) ("[T]he protection afforded by the First Amendment does not give Novak license to infringe the rights of Mutual."), *cert. denied*, 488 U.S. 933 (1988).

71. *Balducci*, 28 F.3d at 776 ("A parody creating a likelihood of confusion may be subject to a trademark infringement action.") (citing *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989), for the proposition that confusing parodies are "vulnerable under trademark law").

72. Regarding a frustrated trademark owner's inability to combat diluting uses of its marks, one court has stated: "The basis for this [dilution] cause of action is the belief that the owner of these marks should not have to stand by and watch the diminution [sic] in their value as a result of unauthorized uses by others." *Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. (BNA) 124, 135 (N.D. Ga. 1981).

73. See *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1040 (N.D. Ga. 1986) (dilution of CABBAGE PATCH KIDS by "Gargage Pail Kids" parody on Topps' bubble gum cards established in part because "'defendant is borrowing plaintiff's good will to make it the butt of a joke.')" (quoting 2 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 25:15, at 165 (1973)).



*A. The Restatement Approach to Trademark Parodies*

Recognizing these issues, section 25(2) of the Restatement favors First Amendment considerations at the expense of the property rights of the trademark owner. Attempting to state a clear standard for determining when application of a dilution statute impinges a speaker's First Amendment rights, section 25(2) of the Restatement states the rule for diluting or tarnishing trademark parodies:

One who uses a designation that resembles the trademark, trade name, collective mark, or certification mark of another, not in a manner that is likely to associate the other's mark with the goods, services, or business of the actor, *but rather* to comment on, criticize, ridicule, parody, or disparage the other or the other's goods, services, business or mark, is subject to liability without proof of a likelihood of confusion only if the actor's conduct meets the requirements of a cause of action for defamation, invasion of privacy, or injurious falsehood.<sup>74</sup>

By using the phrase "but rather," the black letter portion of section 25(2) suggests that a use "in a manner that is likely to associate the other's mark with the goods, services, or business of the actor" cannot also be a use that is "to comment on, criticize, ridicule, parody, or disparage the other."<sup>75</sup>

Stripped to its essential terms, section 25(2) implies that First Amendment considerations should prevent application of a dilution statute in all cases in which a trademark parody does not "associate" the owner's mark with the goods, services or business of the speaker. In support of this rule, the comments to section 25(2) discuss the free speech considerations involved in nontrademark uses of another's mark:

[E]xtension of the antidilution statutes to protect against damaging *nontrademark uses* raises substantial free speech issues and duplicates other potential remedies better suited to balance the relevant interests.

. . . .

Use of another's trademark, not as a means of *identifying* the user's own goods or services, but as an incident of speech directed at the trademark owner . . . raises serious free speech concerns that cannot be easily accommodated under traditional trademark doctrine.<sup>76</sup>

These comments identify the relevant issues (damaging trademark use versus First Amendment rights), but the proposed solution of section 25(2)

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74. RESTATEMENT, *supra* note 2, § 25(2) (emphasis added).

75. *Id.* § 25(2).

76. *Id.* § 25 cmt. i (emphasis added).

could raise as many questions as it attempts to answer. It is unclear whether the test of section 25(2) accurately reflects existing law or is sufficiently flexible to deal with facts that warrant application of dilution statutes. Read literally, the “but rather” language of section 25(2) states that if an actor’s use of a mark satisfies the “association” standard, it cannot be a trademark parody. Conversely, trademark parodies are arguably incapable of satisfying the “association” standard.<sup>77</sup> As a practical matter, however, designations that create an “association” with the actor’s goods also may serve to criticize or ridicule another’s mark.

The text of section 25(2) also does not distinguish between primarily commercial and primarily noncommercial speech, which might be the most relevant consideration under First Amendment analysis, particularly in “hybrid” cases involving technical trademark uses that mix parody and commercial speech.<sup>78</sup>

Additionally, unless an alternative commercial tort theory applies, section 25(2) largely disregards the trademark owner’s interests in protecting and managing its brand equity and preserving the commercial magnetism of a mark. The rule stated in section 25(2) assumes that liability for nonconfusing trademark parodies is more appropriately dealt with under other branches of law. It is not clear, however, that the commercial tort theories proposed in the Restatement are more appropriate or provide adequate viable alternatives to the trademark owner.

### *1. The Legal Framework of Section 25(2)*

As with liability under section 25(1) of the final version of the Restatement, liability under section 25(2) is premised on satisfaction of the “association” standard, which is conceptually troublesome in the context of trademark parody. In addition to the lack of guidance for interpreting the word “association,” the standard broadly encompasses and protects many trademark parodies because, as one commentator has stated: “Parody is at once a derivative and a creative form of expression; its defining characteristic is that it incorporates some recognizable features of its object while altering other features so as to ridicule the object and achieve a humorous or provocative effect.”<sup>79</sup>

Thus, the key to a successful trademark parody is twofold: (1) imitation of another’s mark, and (2) use of the imitation in a manner that conveys the speaker’s “message.” The success of the message is dependent on the success

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77. *See id.* § 25(2).

78. *See infra* note 95 and accompanying text.

79. Shaughnessy, *supra* note 9, at 1079.

of the imitation, and, in many cases, on an "association" between the imitation and the speaker's goods, services or business.

Because many trademark parodies might satisfy the "association" standard, section 25(2) creates interpretive problems. First, a careful reading of section 25(2) suggests that liability might depend on two mutually exclusive possibilities: either use of a mark satisfies the "association" standard and is subject to potential liability, or the use is immune under the First Amendment because it is to comment on or criticize the mark or the mark owner.<sup>80</sup> Section 25(2) does not directly address the possibility that certain hybrid trademark parodies might satisfy both the "association" and parody criteria, particularly where commercial gain, rather than commentary, is the primary purpose of the parody.<sup>81</sup>

The problem with the test set forth in section 25(2) is exemplified by illustration 5 to section 25(2),<sup>82</sup> which draws on the facts of *L.L. Bean, Inc. v. Drake Publishers, Inc.*<sup>83</sup> In illustration 5, the Reporters posit that *B*, a publisher of an adult magazine, publishes a bawdy parody of *A*'s catalog using an imitation of *A*'s mark.<sup>84</sup> The illustration concludes that "*B* is not subject to liability to *A* for tarnishment under an antidilution statute because *B* has not used *A*'s mark in a manner that is likely to create an *association* between the mark and *B*'s own goods, services, or business."<sup>85</sup>

Notwithstanding the fact that *A* likely would attempt to offer evidence to show that the parody satisfies the "association" requirement of section 25(2), the question is not as straightforward as illustration 5 suggests. Arguably, one of the recognized goals of adult magazines is to serve as forums for outrageous commentary not found in other publications.<sup>86</sup> Thus, beyond pure humor, the

80. RESTATEMENT, *supra* note 2, § 25(2); *see also supra* note 77 and accompanying text.

81. For example, if the parody consists of a third-party use of a company's brand name to sell commentary T-shirts or posters for the primary purpose of raising funds. *See, e.g., Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) (enjoining defendant from selling poster replication of Coca-Cola's trademark that substituted the word "Cocaine" for "Coca-Cola"); *Girl Scouts of the United States v. Personality Posters Mfg., Co.* 304 F. Supp. 1228 (S.D.N.Y. 1969) (refusing to enjoin defendant from distributing poster with pregnant Girl Scout because public would acknowledge it as a lampoon).

82. RESTATEMENT, *supra* note 2, § 25 cmt. i, illus. 5.

83. 811 F.2d 26 (1st Cir.), *cert. denied*, 483 U.S. 1013 (1987).

84. The illustration assumes, and so do the authors for purposes of this discussion, that *B*'s use otherwise has the capacity to tarnish or dilute the value of *A*'s mark.

85. RESTATEMENT, *supra* note 2, § 25 cmt. i, illus. 5 (emphasis added). For purposes of the illustration, the Reporters did not address facts in the *L.L. Bean* case that led the court to determine that the First Amendment precluded liability under Maine's dilution statute. The court ultimately determined that the defendant's speech was noncommercial, and therefore, entitled to broad First Amendment protection. *See L.L. Bean, Inc.*, 811 F.2d at 32-33.

86. *See, e.g., Hustler Magazine v. Falwell*, 485 U.S. 46, 55 (1988) (finding Hustler Magazine's parody advertisement of Jerry Falwell's "first time," although outrageous, protected

parody in illustration 5 might serve another important function for *B*, namely confirmation that *B*'s publication is the type that takes a "no-holds-barred" approach to social commentary. In light of *Webster's* broad definition of "association,"<sup>87</sup> and the Restatement's lack of guidance as to the proper interpretation of the word, this link might satisfy the "association" standard. An association between the parodic use of *A*'s mark and *B*'s publication might exist because consumers are likely to view the trademark parody (and others like it) as one of the reasons they purchase *B*'s publication. Indeed, such trademark parodies may be part of *B*'s marketing strategy intended to alert and confirm to consumers that *B* makes liberal use of such icons of Americana. Use of trademark parody to satisfy a commercial purpose reduces the speaker's First Amendment interests,<sup>88</sup> yet, on behalf of those interests, section 25(2) purports to eliminate the trademark owner's ability to satisfy the "association" standard or investigate the commercial purposes of the parody. Under this analysis, the parodic element always trumps the tarnishing effect of the parody and the speaker's commercial purpose.

As with section 25(1), the comments to section 25(2) provide a potential resolution of the conceptual quandary caused by the "association" standard, suggesting that liability under section 25(2) might depend on trademark use rather than the broader "association" concept. In this regard, comment i to section 25(2)<sup>89</sup> elaborates on the "association" standard:

*Nontrademark uses*, because they do not create an association with a different user's goods, services, or business, are unlikely to dilute the distinctiveness of a mark. . . . For example, the use of another's mark in comparative advertising or as mere ornamentation on the subsequent user's goods does not dilute the distinctiveness of the mark by *associating the mark as a symbol of identification with different goods or services or with a different business*.<sup>90</sup>

Comment i adds that free speech concerns preclude dilution liability when the parodist uses another's mark "not as a means of identifying the user's own goods or services, *but* as an incident of speech directed at the trademark

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by the First Amendment).

87. WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY, *supra* note 61, at 110.

88. *See, e.g.,* Anheuser-Busch, Inc. v. Balducci Publications, 28 F.3d 769, 774 (8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995) (discussing factors that reduced defendant's claim of a purely editorial purpose, and therefore, "suggest[ed] that [defendant] sought to do far more than just 'conjure up' an image of Anheuser-Busch in the minds of its readers"); Hard Rock Cafe Licensing Corp. v. Pacific Graphics, Inc., 776 F. Supp. 1454, 1462 (W.D. Wash. 1991) ("A defendant's claim of parody will be disregarded where the purpose of the similarity is to capitalize on a famous mark's popularity for the defendant's own commercial use.").

89. *See* RESTATEMENT, *supra* note 2, § 25 cmt. i.

90. *Id.* (emphasis added).

owner. . . ."<sup>91</sup> If the "association" test boils down to a trademark use inquiry, some of the conceptual barriers that might prevent consistent application of section 25(2) are eliminated because, unlike the "association" standard, the trademark use requirement attempts to create a bright-line rule.<sup>92</sup>

Section 25(2) has doctrinal defects even if the "association" standard is viewed as the equivalent of trademark use. A hybrid trademark parody might consist of a trademark use that comments on or criticizes the target mark or its owner. Under section 25(2), however, the parodic element may trump all tarnishing effect and any commercial purpose of the speaker. Drawing again on the facts of illustration 5, and assuming *B*, the publisher, used a parodic imitation of *A*'s trademark to market and sell an actual catalog, *A*'s use would appear to be both a trademark use and a use intended to comment on *A*, *A*'s mark, or some other aspect of society.<sup>93</sup> Section 25(2) appears to provide no middle ground for resolving such "hybrid" cases involving both parody and a trademark use.<sup>94</sup> Thus, a court interpreting the comments to section 25(2)

91. *Id.* Comment i goes on to state that only nontrademark uses raise free speech concerns sufficient to preclude dilution liability.

92. Despite its apparent clarity, the trademark use requirement also might be difficult to apply in certain cases. For example, query whether the First Amendment would preclude liability under section 25 if a poster bearing an otherwise protected trademark parody were placed at the point of purchase for related goods such as birth-control products? *Cf.* *Girl Scouts of the United States v. Personality Posters Mfg.*, 304 F. Supp. 1228 (S.D.N.Y. 1969) (denying dilution relief against the manufacturer of posters depicting a pregnant girl in a Girl Scouts' uniform and the slogan "Be Prepared"). Alternatively, would liability arise if the allegedly protectable parody hypothetical from *L.L. Bean* discussed in illustration 5 to section 25(2) were subsequently placed on T-shirts?

93. *See, e.g., Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482 (10th Cir. 1987) ("Lardashe" used for jeans); *D.C. Comics, Inc. v. Unlimited Monkey Business, Inc.*, 598 F. Supp. 110 (N.D. Ga. 1984) ("Super Stud" and "Wonder Wench" for singing telegram service); *Gucci Shops, Inc. v. R.H. Macy & Co.*, 446 F. Supp. 838 (S.D.N.Y. 1977) ("Gucchi Goo" and well-known red and green bands trade dress used for diaper bags).

94. The Reporters disagree with this proposition, stating in the Foreword that section 25 accounts for all allegedly "hybrid" cases. In their view, if a use satisfies the "association" standard, protection may be available under section 25(1) "whether or not the use is also a parody." Under this theory, the First Amendment protection purportedly provided by section 25(2) applied only if the defendant's use does not satisfy the "association" standard; accordingly section 25(2) would add nothing to the rule established by section 25(1) because it provides First Amendment protection only in cases where there is no liability in the first place. In contrast, this article contends that, under a careful analysis of section 25(2), particularly the effect of the "but rather" language, section 25(2) purports to create an exception in cases where the conditions for liability under section 25(1) are satisfied, but First Amendment considerations preclude application of a dilution statute. As a result, section 25(2) is in derogation of section 25(1). If section 25(2) does not create some type of exception, then it merely states that, if protection is not available under section 25(1), the actor must look elsewhere for a cause of action for disparagement.

would likely consider alternative legal frameworks for First Amendment analysis. Although aware that the commercial speech doctrine provided a potential alternative test,<sup>95</sup> the Reporters adopted a standard that does not inquire directly into the commercial or noncommercial nature of the trademark parody.<sup>96</sup> Adopting a commercial speech test might have provided less protection for the “substantial free speech issues”<sup>97</sup> noted by the Reporters, but it could have led to a more workable standard under section 25(2).

## 2. *Whether a Viable Alternative to the Legal Framework of Section 25(2) Exists*

Without clear guidance from the Supreme Court, the judiciary and commentators have struggled to balance the First Amendment interests of a trademark parodist against the competing property interests of the owner of the targeted mark, and judicial responses to free speech claims based on trademark parody have varied widely.<sup>98</sup> Several courts have applied traditional infringement doctrines to parodies without any apparent concern for First Amendment claims of the speaker.<sup>99</sup> These courts stretch the limits of traditional infringement doctrine to find a likelihood of confusion, basing their conclusions on language and rationales indicative of a broader concern for damage to, tarnishment of, or unjust trading upon brand equity developed in a mark.<sup>100</sup>

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95. See, RESTATEMENT, *supra* note 2, § 25(2) cmt. i (discussing the commercial speech doctrine as a paradigm for resolving trademark cases in favor of the speaker).

96. Comment i suggests that most, if not all, trademark parodies constitute protectable noncommercial speech, stating: “The expression of an idea by means of the use of another’s trademark in a parody, for example, *will often* lie within the substantial constitutional protection accorded noncommercial speech and may thus be the subject of liability only in the most narrow circumstances.” *Id.* (emphasis added). The comments do not elaborate on when a trademark parody *will not* be deemed noncommercial speech, leaving open another potential issue as to coverage.

97. *Id.*

98. See *supra* note 69 and accompanying text.

99. See e.g., *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433, 434-35 (5th Cir. 1962), *cert. denied*, 372 U.S. 965 (1963) (enjoining “Where there’s life . . . there’s bugs” on the basis of likelihood of confusion with plaintiff’s “Where there’s life . . . there’s Bud”); *Wendy’s Int’l, Inc. v. Big Bite, Inc.*, 576 F. Supp. 816, 824 (S.D. Ohio 1983) (defendant’s parodic use of plaintiff’s slogans and “Little Wendy” mascot enjoined with no extended discussion of parody defense).

100. See, e.g., *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir. 1979); *Chemical Corp.*, 306 F.2d at 437-38; *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1188-89 (E.D.N.Y. 1972) (discussing plaintiff’s “property right” in its mark). These decisions are the basis for criticism by several commentators who argue that the dilution doctrine extends too much protection to the trademark owner. See Shaughnessy, *supra* note 9, at 1094-96; Langvardt, *supra* note 66, at 689-92. *But see* Swann & Davis, *supra* note 12, at 220-22 (arguing that these cases provide judicial foundations of support for the notion that

Other courts undertake extensive First Amendment analyses under the commercial speech doctrine,<sup>101</sup> determining whether the parody constitutes commercial or noncommercial speech and applying the appropriate constitutional test to determine whether the speech is protected.<sup>102</sup> Finally, commentators have argued that the right of publicity is an appropriate mechanism for evaluating a trademark owner's rights in "the persona of a brand,"<sup>103</sup> and may provide an alternative approach for balancing the constitutional issues.<sup>104</sup> Indeed, in view of their value on licensed products, the marks of professional sports teams and universities, as well as marks such as COKE, DISNEY and those of other commercial enterprises, arguably are entitled to no less protection against commercial piracy through dilution than are the rights of publicity relied upon by the estates of Elvis Presley, Marilyn Monroe, or other celebrities.

The Supreme Court has not considered directly the convergence of the First Amendment rights of a trademark parodist with the rights of a trademark owner. In an analogous context, however, the Court has suggested that the commercial speech doctrine is the proper mode of analysis for speech-based defenses to trademark infringement and dilution. In *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*,<sup>105</sup> the Court rejected a strong First Amendment challenge to section 110 of the Amateur Sports Act

brand equity should be protected as property from virtually any trespass).

101. Commercial speech is "speech which does 'no more than propose a commercial transaction.'" *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983) (quoting *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976) (quoting *Pittsburgh Press Co. v. Pittsburg Comm'n on Human Relations*, 413 U.S. 376, 385 (1973))). The test for determining the constitutionality of commercial speech has four parts: (1) whether the speech pertains to lawful activity and is not misleading; (2) whether the government has a substantial interest in taking the action that restricts the speech; (3) whether the government's action directly advanced the underlying interest; and (4) whether the government action was no more extensive than necessary to fulfill the interest. *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 566 (1980).

102. *See Balducci*, 28 F.3d at 775-77; *L.L. Bean*, 811 F.2d at 32.

103. Swann & Davis, *supra* note 12, at 234; *see also* Ellen P. Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona,"* 71 TRADEMARK REP. 193 (1981). Thus, if SUPERMAN and WONDER WOMAN and other famous marks function as brand personas, arguably rights in these marks are analogous to an individual's right of publicity. *See* Swann & Davis, *supra* note 12, at 226 (citing J.T. Plummer, *How Personality Makes a Difference*, 24 J. ADVERTISING RES., Dec. 1984/Jan. 1985, at 27, 27-31 for the proposition that "[m]any brands have their own 'personalities'").

104. 4 MCCARTHY, *supra* note 31, § 28.05 ("[W]ith a balancing between the property right of the right of publicity and the policy of free speech, a given unauthorized use of a person's identity will fall within one of two categories: the challenged use is either 'communicative' or 'commercial.'").

105. 483 U.S. 522 (1987). Because *San Francisco Arts* does not involve a trademark parody, the magnitude of the defendants' free speech interests was significantly reduced.

of 1978,<sup>106</sup> which grants the United States Olympic Committee broad rights to prohibit certain commercial *and promotional* uses of the word "Olympic."<sup>107</sup> Indicating that the distinction between commercial and noncommercial speech might provide the proper test in the parody setting, the Court stated: "To the extent that [section] 110 applies to uses 'for the purpose of trade [or] to induce the sale of any goods or services,' . . . its application is to commercial speech."<sup>108</sup>

Commenting on the *San Francisco Arts* case, the Reporters state that the commercial speech analysis turned on the distinction between trademark and nontrademark use.<sup>109</sup> The Reporters' Note to section 25(2) classifies *San Francisco Arts* as a case in which the distinction between trademark and nontrademark use is "explicit."<sup>110</sup> Although the Reporters are correct in concluding that GAY OLYMPIC GAMES was a trademark use, nothing in the Court's opinion suggests that trademark use was dispositive to the finding that the defendants engaged in commercial speech. In fact, the Court rejected the defendants' claim that section 110 of the Amateur Sports Act is overbroad under the First Amendment because it restricts *promotional, as well as commercial*, uses of the word "Olympic." Such promotional uses could include nontrademark uses and parodies, yet the Court found the Act valid on its face. Moreover, the Court applied commercial speech principles notwithstanding the allegedly expressive nature of the defendants' speech, stating:

The mere fact that the SFAA claims an *expressive, as opposed to a purely commercial, purpose* does not give it a First Amendment right to 'appropriat[e] to itself the harvest of those who have sown.' The USOC's right to prohibit use of the word 'Olympic' in the promotion of athletic events is at the core of its legitimate *property* right.<sup>111</sup>

The legal framework applied in *San Francisco Arts* is a logical approach to potential conflicts between First Amendment rights and the interests of a trademark owner. The commercial speech doctrine is sufficiently well-

106. 36 U.S.C. § 380 (1994) [hereinafter Act].

107. *San Francisco Arts & Athletics, Inc.*, 483 U.S. at 524.

108. *Id.* at 535 (quoting the Act). The Court's rationale drew upon the appropriation of the plaintiff's property rights, which supported liability because the defendant sought to "exploit the 'commercial magnetism' of the word [that was] given [commercial] value by the [plaintiff]." *Id.* at 539 (citation omitted) (quoting Justice Frankfurter's comments in *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942)).

109. RESTATEMENT, *supra* note 2, § 25 reporters' note to cmt. i.

110. *Id.*

111. *San Francisco Arts & Athletics, Inc.*, 483 U.S. at 541 (emphasis added) (citation omitted) (quoting *International News Serv. v. Associated Press*, 248 U.S. 215, 239-240 (1918) (footnote omitted)). In addition to the property interests at stake, the Court noted that significant public policy considerations supported the speech restriction. *Id.* at 537-38.



developed to serve as a stable mode of analysis in trademark parody cases. Notably, *San Francisco Arts* does not stand for the proposition that all trademark parodies, or even all hybrid parodies, constitute commercial speech.<sup>112</sup>

The determination of whether a parody is commercial or noncommercial should be evaluated on a case by case basis. The factors that might distinguish commercial from noncommercial parodies are best exemplified by the analyses in several cases that reached sensible, but different, results in response to a First Amendment defense to a dilution claim. Generally in those cases, resolution of the commercial speech issue depended on whether the primary purpose of the parody was the communication of a message and whether use of the trademark bore any relationship to the message, not whether the parody was a technical trademark use.<sup>113</sup>

In *Anheuser-Busch, Inc. v. Balducci Publications*,<sup>114</sup> the Eighth Circuit Court of Appeals rejected the defendant's First Amendment parody defense after the defendant published a fake advertisement for "Michelob Oily" beer on the back cover of a humor magazine. Enjoining the advertisement, the court relied on several factors that suggest a concern for the commercial nature of defendant's speech including: (1) the ad parody was placed on the back cover of the magazine where real advertisements are routinely located,<sup>115</sup> and (2) the ad included "only a tiny disclosure" that it was an editorial parody.<sup>116</sup> The advertisement also suggested that Anheuser-Busch's products were contaminated with oil, yet "[t]his unsupported attack was not even remotely necessary to [the defendant's] goals of commenting on the Gasconade oil spill and water pollution generally."<sup>117</sup> Absent a sufficient relationship between the imitation of the mark and the message conveyed, the court found that the parody was more an attempt to appropriate the magnetism of the mark for defendant's commercial purposes than an attempt to convey a particular message. Although the court did not expressly name the commercial speech doctrine, the court's analysis resembled a commercial speech case (*i.e.*, a

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112. See *Stop The Olympic Prison v. United States Olympic Comm.*, 489 F. Supp. 1112, 1121 (S.D.N.Y. 1980) (holding that the use of the slogan "Stop The Olympic Prison" on a poster by an organization protesting the use of the Olympic village as a prison did not violate the Act because "[t]he poster was not used 'for the purpose of trade,' or 'to induce the sale of any goods or services, or to promote any theatrical exhibition, athletic performance, or competition.'" (quoting the Act)).

113. Contrary to the Reporters' statement in the Foreword, the authors do not believe that a commercial purpose or a profit motive, by itself, is sufficient to create commercial speech.

114. 28 F.3d 769 (8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995).

115. *Id.* at 775.

116. *Id.* at 778.

117. *Id.* at 778.

significant factor in the decision was whether the defendant successfully communicated the editorial nature of the parody).

In contrast, in *L.L. Bean, Inc. v. Drake Publishers, Inc.*,<sup>118</sup> the court overturned an injunction against the publisher of "High Society" magazine, which published a sexual parody mocking plaintiff's catalogs. Noting that important First Amendment considerations prevented application of dilution statutes to the extent they apply to noncommercial parodies,<sup>119</sup> the court found that the defendant's parody was "editorial or artistic," and therefore noncommercial,<sup>120</sup> based on the following factors: the defendant's use was a nontrademark use,<sup>121</sup> and the defendant did not seek to merchandise its products under the guise of trademark parody.<sup>122</sup> The court noted the following facts:

The article was labelled as 'humor' and 'parody' in the magazine's table of contents section; it took up two pages in a one-hundred-page issue; neither the article nor appellant's trademark was featured on the front or back cover of the magazine. . . . [The defendant] never intended to market the 'products' displayed in the parody.<sup>123</sup>

Thus, as in *Anheuser-Busch*, the court focused on the legitimacy of the speech claim (not necessarily the speech itself) and the relationship between the use of the mark and the message conveyed.<sup>124</sup>

*L.L. Bean* provides insight into the suitability of the commercial speech doctrine in parody cases. However, the *L.L. Bean* court limited the reach of its holding, stating that it had "no occasion to consider the constitutional limits which might be imposed on the application of anti-dilution statutes to unauthorized uses of trademarks on *products* whose principal purpose is to convey a message."<sup>125</sup> Thus, while the Reporters view *L.L. Bean* as demon-

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118. 811 F.2d 26 (1st Cir.), *cert. denied*, 483 U.S. 1013 (1987).

119. *Id.* at 30-31.

120. *Id.* at 32.

121. *Id.* at 33.

122. *Id.* at 32.

123. *L.L. Bean, Inc.*, 811 F.2d at 32.

124. *Cf. Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44-45 (2d Cir. 1994), where the court stated:

Sellers of commercial products who wish to attract attention to their commercials or products and thereby increase sales by poking fun at widely recognized marks of noncompeting products, . . . risk diluting the selling power of the mark that is made fun of. When this occurs, not for worthy purposes of expression, but simply to sell products, that purpose can easily be achieved in other ways. The potentially diluting effect is even less deserving of protection when the object of the joke is the mark of a directly competing product.

*Id.* (citations omitted).

125. *L.L. Bean, Inc.*, 811 F.2d at 32 n.4 (citing *Mutual of Omaha Ins. Co. v. Novak*, 775

strative of the proper First Amendment treatment of trademark parodies, the court expressly limited its application to a set of facts that does not involve the most difficult "hybrid" situations.

Of course, neither *L.L. Bean* nor *Balducci* presents a bright line standard. Hard facts make for difficult decisions, and neither involved a strong political or social commentary.<sup>126</sup> Difficult cases involving strong social commentary might include a parody of a cigarette trademark used on T-shirts by a non-profit cancer treatment society to raise funds for an anti-smoking campaign,<sup>127</sup> or a parody of an oil company's trademark is used on posters sold by an environmental group attacking a company found guilty of water pollution. Moreover, classification of a parody as commercial speech does not necessarily result in dilution liability. A trademark owner still has to prove a likelihood of dilution by blurring or tarnishment.<sup>128</sup>

F.2d 247 (8th Cir. 1985)) (emphasis added).

126. See *Anheuser-Busch, Inc. v. L&L Wings, Inc.*, 962 F.2d 316, 327 n.8 (Powell, J., dissenting), cert. denied, 506 U.S. 872 (1992) (alleged parody of various marks for BUDWEISER beer used to sell T-shirts proclaiming, *inter alia*, Myrtle Beach as "The King of Beaches"). Commenting on the significance of the editorial purpose of a parody, Justice Powell perceptively captured the essential issue, stating: "Only parody in this 'editorial or artistic' sense serves sufficiently strong First Amendment values to override government interests in trademark protection. Such would be the case, for instance, if Mothers Against Drunk Driving marketed T-shirts bearing a caricature of the Budweiser trademark." *Id.* (citation omitted).

Although the *L&L Wings* court determined that the jury's finding of no likely confusion was supported by sufficient evidence, the result might have been different had the case arisen after South Carolina passed a dilution statute in 1994. See S.C. CODE ANN. § 39-15-1165(A) (Law. Co-op. 1976 & Supp. 1995). For purposes of disclosure, it should be noted that the authors or their firm had substantive involvement in the Petition for Certiorari in the case and have represented Anheuser-Busch in other matters.

127. The Section of Intellectual Property Law of the American Bar Association clearly outlined the constitutional issues in a T-shirt parody case, stating:

[W]hen a parody of a mark appears on a t-shirt that would not be purchased by consumers but for the appearance of the parody on the t-shirt, is such use of the parody in a commercial or non-commercial context? One could argue that customers buy the t-shirt not because of the source, but because of the message that it conveys, resulting in protected speech. On the other hand, one could argue that the use of the parody in this context is for effecting a commercial transaction (buying the t-shirt), and although free speech is the cornerstone of a free society, it cannot and should not be used to disguise an underlying economic motive for damaging and palming off of another's success in creating a popular image or good will in connection with its products or services.

AMERICAN BAR ASS'N, *Section of Intellectual Prop. L. Annual Report 1993-1994* 151 (1994).

128. See, e.g., *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 508 (2d Cir. 1996) ("Spa'am" for name of "likeable, positive" porcine puppet character in children's movie not likely to dilute SPAM for lunch meat, despite defendant's intent to poke fun at the famous luncheon meat) ("Therefore, in the instant case, where (1) there is no evidence that Henson's use will cause negative associations, (2) Henson is not a direct competitor, and (3) the parody inheres in the product, we find that there is no likelihood of dilution under a tarnishment theory.");

Although a well-developed, definitive test for First Amendment cases involving trademark parodies has yet to crystallize, the commercial speech doctrine provides a variety of objective criteria on which to base a reasoned result. By taking a broad doctrinal protective approach to the First Amendment question, section 25(2) of the Restatement gives too little weight to several important considerations that might limit the parodist's free speech rights. Thus, while serious and appropriate free speech concerns are at stake in trademark parody cases, they should not necessarily and uniformly trump factors such as the property right of the trademark owner, the nature and context of the speech, the unjust enrichment of the speaker, the consideration that parody has commercial and noncommercial traits, the right of the public not to be misled and the nexus between the message conveyed and the manner in which the mark is used.

*B. Whether Section 25(2) Provides Sufficient Alternative Remedies to Protect the Interests of the Trademark Owner*

Linked to the viability of the test set forth in section 25(2) of the Restatement is the conclusion that the rule is sound, in part, because alternative remedies are available under defamation, invasion of privacy, or injurious falsehood causes of action.<sup>129</sup> In this regard, comment i to section 25(2) highlights several alternative tort theories that, because of "their well-developed limitations[,] can better accommodate the actor's right of free expression."<sup>130</sup> These alternative remedies include:

1. A cause of action for defamation based on use or commentary that defames the reputation of the trademark owner;
2. Causes of action under Restatement (Second) of Torts sections 623A and 626 based on false statements harmful to the pecuniary interests of another or that disparage the other's goods; and
3. A cause of action under Restatement (Second) of Torts section 652E for situations in which the parodist places an individual before the public in a false light that would be highly offensive.<sup>131</sup>

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Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc., 642 F. Supp. 1031, 1040 (N.D. Ga. 1986) ("There was also testimony . . . that any association of Garbage Pail Kids with Cabbage Patch Kids would disparage the wholesome image plaintiff attempts to present for its products. The court finds that there is more than sufficient evidence that tarnishment exists . . .") (citation omitted).

129. RESTATEMENT, *supra* note 2, § 25(2).

130. *Id.* § 25 cmt. i.

131. *Id.*

Several factors suggest that the remedies proposed in section 25(2) may not be adequate, or even available, to remedy a wholesale appropriation of the goodwill and commercial magnetism of a mark for allegedly parodic purposes, particularly where profit is the primary motivation of the speaker. First, a corporate or business plaintiff in a defamation suit must show that its overall business reputation has been harmed.<sup>132</sup> "A decrease in the value of the trademark itself does not mean that the plaintiff's reputation is harmed,"<sup>133</sup> and, as a result, "trademark parody-based defamation claims tend to falter on the basic harm to reputation element. . . ."<sup>134</sup> Perhaps even more troublesome are the evidentiary burdens of (1) falsity,<sup>135</sup> which is likely to be most difficult in the context of a parody that is intended to be perceived, not as a statement of fact, but as a humorous or editorial comment; and (2) constitutional fault,<sup>136</sup> which requires proof of "actual malice" under the stringent standards set forth by the Supreme Court.<sup>137</sup>

Although a "disparagement [or false light] claim is more plausible in the trademark parody setting than a defamation claim because a trademark provides the sort of economic interest that may be adversely affected for purposes of a disparagement claim,"<sup>138</sup> a disparagement or false light plaintiff still has the onerous burden of demonstrating that the use of its mark is likely to be perceived as a statement of fact.<sup>139</sup> Because of the burdensome proof requirements of the alternative causes of action set forth in section 25(2), "it is likely that disparagement [and defamation] will maintain a secondary position behind infringement and dilution claims in trademark parody litigation."<sup>140</sup> Accordingly, in view of the significant interests of the trademark owner, an interpretation of the Restatement in a manner that would make the word "association" the equivalent of narrow trademark use to qualify for dilution protection does not follow the weight of extensive case law and goes too far in weighing First Amendment rights against property right to limit

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132. Langvardt, *supra* note 66, at 709.

133. *Id.* at 709 n.200.

134. *Id.* at 709 (citing *Fisher v. Dees*, 794 F.2d 432, 440 (9th Cir. 1986); *Stop The Olympic Prison v. United States Olympic Comm.*, 489 F. Supp. 1112, 1124-26 (S.D.N.Y. 1980); *Girl Scouts of the United States v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228, 1234, 1235-36 (S.D.N.Y. 1969)).

135. *Id.* at 709-10.

136. *Id.* at 710.

137. See Langvardt, *supra* note 66, at 710 n.203 (citing *Curtis Publishing Co. v. Butts*, 388 U.S. 130 (1967) (Warren, C.J., concurring); *New York Times Co. v. Sullivan*, 376 U.S. 254, 279-80 (1964)).

138. *Id.* at 711.

139. *Id.* at 711 n.209.

140. *Id.* at 711-12 (footnotes omitted).

“the proper scope of . . . the statutory action created by the antidilution statutes.”<sup>141</sup>

## V. CONCLUSION

The Restatement is a landmark contribution to both legal scholarship and the pragmatic need of the courts and the bar. Generally, it provides an articulate, perceptive and concise reference point to the current status of the law, and the Reporters fulfilled their role in making final decisions as to the wording of many difficult passages. In areas in which the law was unclear, they disclosed that fact and took a position, stating what they believed to be the better reasoning and the better line of authority. In areas yet unformalized, they undertook to reason where the law should go.

This article focuses on one of those unformalized areas, dilution, which is an extremely controversial topic. On balance, we applaud the Reporters' decision to utilize the word “association” in lieu of mandating trademark use as the trigger for application of a dilution statute. We believe “association” should not be defined too narrowly in its application. With regard to the First Amendment issues raised by section 25, we believe future case law and interpretations of the new federal dilution statute should focus on distinctions between commercial and non-commercial speech, and the communicative purpose of the use to determine whether First Amendment considerations override the rights of a trademark owner. In the end, the intent of the legislatures to protect the commercial magnetism of a mark as a valuable property right and the constitutional rights that govern the protection of property must be balanced carefully and equitably against the constitutional rights of freedom of expression.

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141. RESTATEMENT, *supra* note 2, § 25(2) cmt. i.

